

**Governor's K-12 Public School Funding
Advisory Council**

**Room 137, State Capitol
Tuesday, September 4, 2001**

COUNCIL MEMBERS PRESENT:

Jeff Hindoien, Policy Advisor, Office of the Governor
Madalyn Quinlan, Chief of Staff, Office of Public Instruction
Kirk Miller, Chairman, Board of Public Education
Rachel Vielleux, Missoula County Superintendent of Schools
John McNeil, Superintendent, Savage Public Schools
Sandra Murie, Superintendent, Rocky Boy Public Schools
Geoff Feiss, Trustee, Helena School Board
Dennis Burr, Clancy
Linda Tutvedt, Kalispell

STAFF

Amy Carlson, Budget Analyst, Office of the Governor.
Linda Ashworth, Secretary

VISITORS:

Gary C. Greseth, Ulm Schools
Betty Brumwell, MASBO/Dutton Schools
Gwyn Andersen, Browning Schools
Wayne Koterba, Westby Schools
Dave Puyear, MREA
Steve Meloy, Board of Public Education
Tom Bilodeau, MEA/MFT
Bob Vogel, MSBA
Judy Paynter, Department of Revenue
Dan Dodds, Department of Revenue
Loran Frazier, School Administrators of Montana
Lance Melton, MSBA
Denise Hayman, Bozeman Trustee.

CALL TO ORDER:

Chairperson, Jeff Hindoien called the meeting to order at 9:07.

APPROVAL OF MINUTES:

Chairman Jeff Hindoien reported that minutes of the first meeting were not available but would hopefully be available at the next meeting.

COMMITTEE BUSINESS:

Amy Carlson informed the council that she would have large maps available for council members that were interested.

PUBLIC INPUT:

Jeff Hindoien proposed that interaction with the public would be more productive to the business of the council if it were ongoing instead of being delegated to the beginning or end of the meeting. The council agreed that public input would be accepted throughout the meeting.

Tom Bilodeau, MEA/MFT Research Director, submitted written and oral testimony regarding a more reliable and better-funded system to ensure a free, quality public education for our children. **Mr. Bilodeau** asserted that Montana's school funding system should:

1. Invest adequate resources to provide a high quality education system that "develop(s) the full educational potential of each person". (Quoted material from Montana Constitution, Article X, Section 1.)
2. Ensure that Montana school districts can offer professional salaries and benefits to qualified staff through a minimum \$5,000 per-FTE entitlement for teaching personnel.
3. Guarantee annual inflationary adjustments to meet fixed cost increases including those for staff, energy, communications, building maintenance, technology, and transportation.
4. Continue to base funding partially on enrollment levels, but with far less budget fluctuation than is currently required.

Mr. Bilodeau maintained that the above objectives would guarantee that Montana would continue to lead the nation in academic and educational achievement.

Mr. Bilodeau outlined the current crisis in education, reporting that rising health costs, teacher retirements, educators and graduates leaving the state, and stagnant salaries have all contributed to the decline of quality professional educators in the state.

TAXPAYER EQUITY:

Amy Carlson reported that HB 124 established block grants to school districts that would replace revenue lost due to tax reductions enacted in the 1999 session and HB 124 of the 2001 session. **Ms. Carlson** submitted written testimony.

After careful analysis, **Ms. Carlson** concluded that HB 124 block grants would be a good short-term means of distributing replacement revenue for lost tax base. Because property is not static and the method of distribution of state resources is not done with consideration of the equity of school funding, these payments would become questionable, and new methods should be investigated for distribution of the funds.

Ms. Carlson queried whether the council wished to pursue an analysis or consider alternatives that would distribute the revenue consistent with school equity.

Jeff Hindoien reminded the council that they were charged with including recommendations of retaining or repealing the block grant and reconciling the issue of how block grants would fit into the equity of the school funding issue.

After brief discussion and input from the education community, **John McNeil** referred to the Department of Revenue's presentation at the first meeting, suggesting that the council deal with all equity issues in the second tier of funding. He felt there would be a disparity between high wealth/low wealth in permissive areas. He also put forth the idea of a statewide mill levy to fund schools in Montana. **Madalyn Quinlan** acknowledged a statewide mill levy would cost approximately \$120 million dollars.

Dan Dodds, Department of Revenue, reported on issues concerning the variation of local school mill levies and how they would change if groups of school districts were treated as a unit for property tax purposes. **Mr. Dodd** submitted written testimony, stating that grouping school districts reduced the difference between the highest and lowest mill levies and brought the majority of districts closer to the middle. Most districts with low mill levies would have their mills increased by grouping, while most districts with high mill levies would have their mills decreased by grouping. Districts with low mill levies would be more likely to be in groups with below-average mill levies, while districts with high mill levies would be more likely to be in groups with above-average mill levies.

After lengthy discussion and questions for **Mr. Dodd**, the council requested that **Amy Carlson** report on how a state-wide mill levy could replace the local levy at the base level, look at the GTBA for the above base area of the budget at different levels of spending and how that would affect the mills and disparity, when leaving the budgets at their current levels of spending. **Ms. Carlson**

agreed to investigate the rate of change in the tax base and how it would affect the long-term disparity in house bill 124.

GOVERNANCE:

Mark Bruno, Budget Analyst for the State of Montana, reported on the comparison of funding structures between Montana and Colorado, South Dakota, Wyoming, North Dakota and Idaho. **Mr. Bruno** confirmed that these surrounding states required schools to utilize the same “basic fund structure” as Montana.

He reported that Montana appeared to have many “stand alone” fund types, not required in other states, such as, tuition, retirement, adult education, non-operating, lease rental, compensated absence, metal mines tax reserve, state mining impact, impact aid, litigation, payroll, claims retirement/colbra, and inter-local agreements.

Jeff Hindoien suggested the formation of a working group of school officials that would study Mark Bruno’s suggestions and how they would wrap into HB 436.

Madalyn Quinlan, suggested creating a working group that would review the current funding structure and suggest improvements to that structure that would simplify the current structure and provide more flexibility to school districts, while maintaining generally acceptable accounting principles. The group would be accountable and responsible to school trustees, legislators, taxpayers of Montana and federal program reporting requirements.

She identified twelve individuals that would represent the mix of large and small school districts. Those individuals would include a district clerk, county superintendent, auditor, and representatives from the Office of Public Instruction, the Governor’s Office and the Montana School Boards Association. She announced that Steve Johnson (Assistant Superintendent and Business Manager for the Bozeman Schools), Donnie McVee (Great Falls School District), Joan Anderson (OPI), Bob Vogel (MSBA), and Amy Carlson had agreed to serve on the group.

Kirk Miller suggested the group examine a timeline that would take into consideration budget adoption and election timelines.

The council accepted the draft that was proposed by **Ms. Quinlan**.

Tom Bilodeau reported that a task force, under the direction of Governor Schwinden’s Administration, had proposed combining funds. **Jeff Hindoien** requested that Tom secure a copy of that proposal to be distributed at the next meeting.

UNITS OF FUNDING:

Transportation:

Jim Standaert, Legislative Fiscal Analyst, presented oral and written testimony pertaining to the current home-to-school transportation budgeting process, the means by which school transportation is funded, and the reimbursement method the state uses to pay for a portion of school transportation costs in Montana.

He maintained the report would provide a tool by which the council could investigate and seek improvements by using school transportation spending data when exploring the relationships between spending, miles bussed, school size and/or number of riders.

Mr. Standaert listed three major problems with K-12 transportation funding. He maintained the budgeting for transportation was too complicated, there was inadequate state funding, and transportation spending, per student, was unequal across districts.

The council discussed whether to address the issue of transportation funding. **Jeff Hindoien** reminded the council that transportation funding was not at the top of the list, yet questioned the best way to address the educational funding needs in this area. **Joan Anderson, Office of Public Instruction**, reported that the Office of Public Instruction had conducted a survey on transportation issues. She offered to provide a copy of the survey to the council.

Amy Carlson suggested that the staff bring two or three options to the next meeting that would narrow the parameters when the council discusses the costs of transportation.

Cost of Education:

Madalyn Quinlan, Office of Public Instruction, provided the council with a comparison of enrollment, student/staffing ratios, and cost per student among school size categories using 1999-2000 data. She informed the council that labor costs consisted of 80% of a school district's budget. Her data was based on the costs of certified staff.

In summary, **Jeff Hindoien** felt the council was comfortable with Jim Standaert and Joan Anderson bringing more information to the table regarding adequacy and equity concerning transportation.

Discussion followed concerning the questions, provided by **Amy Carlson**, based on items presented at the September meeting.

Facilities:

Jeff Hindoien wondered if this issue should be a priority. He asked the education community to contribute thoughts concerning the current mechanism in place to fund facilities. Again, Jeff reminded the council that in terms of the bill the council had been asked to determine the adequacy and equity of this issue. He asked the council members to reflect on the issue and whether it should become a priority.

Elimination Of Districts:

Discussion centered on the question of consolidation of districts. **Dave Puyear, Montana Rural Education Association**, reported that studies have shown that consolidation had not been proven to be an effective way to save money. He confirmed that many states were encouraging large school districts to break into smaller entities in order increase efficiency.

Madalyn Quinlan suggested a working group that would deal with incentives that would encourage consolidation. Rachel Vielleax, John McNeil, Bob Vogel (MSBA) and Dave Puyear (MREA) and Madalyn Quinlan (OPI) agreed to be members of the working group. The group was asked to concentrate on the efficiency and governance of consolidation.

Statewide Teacher Salary:

Jeff Hindoien expressed his desire to determine the constitutionality of the statewide teacher salary issue. He requested that the education community express their views on the legality of the issue. The question arose whether it would be constitutional if the state fully funded the teacher salaries in the state. **Tom Bilodeau** reported that an unfounded mandate by the state would not pass muster. The council agreed to receive input from the education community at the next meeting.

ANB Determination For Distance Learning:

Madalyn Quinlan offered to provide information concerning the number of staff and the number of classes that are currently involved in distance learning. She stated that she would not have information that dealt with full and part-time enrollment. She promised to have that information available at the next meeting.

It was suggested the council look at the language, as stated in the last draft of accreditation standards, regarding non-traditional and part-time students.

Declining Enrollment:

John McNeil cited that enrollment was currently the driving force behind school funding. One of the major complaints of the current method of funding schools was the inability of districts to survive due to declining enrollments. He suggested looking at the averaging of ANB, increasing the time from 3 to five years.

It was also suggested the council look at the recommendation from MEA/MFT to increase the per-FTE entitlement for teaching personnel by \$5000 and possibly adjust the base payment, thus decreasing the dependence on enrollment.

A suggestion was offered to look at alternatives to ANB, since basing funding on a per-student basis does not address inflationary and fixed costs. **Amy Carlson** explained that other states base their costs on enrollment and make adjustments for declining enrollment.

Kirk Miller agreed that Montana school funding was too heavily weighed toward enrollment, but cautioned against making the formula more complicated. **John McNeil** suggested that the cap was a major problem, tying the hands of school districts because it does not leave room for adjustment of inflationary costs.

Amy Carlson announced that John Augenblick, international expert in school funding, would be in Helena on October 3rd. She suggested that questions concerning the adjustments of school funding, due to declining enrollment, be presented to him at that time.

The council requested that Amy and Madalyn look at the current funding situation, with a regression analysis, to determine whether the per-ANB and basic entitlement were outlined correctly. It was also suggested that the per-FTE be blended into the formula. The projection would be run several years into the future.

It was further requested that the council investigate what would be needed to increase the elementary funds, currently affected by the caps, and decreasing enrollment.

Dennis Burr suggested simplifying the projection by running the changes on one school budget that had suffered a decline in enrollment. He requested the scenario be run on each of the council's suggestions to see if they would make a difference to the funding of that school district. He maintained this would simplify the matter and determine whether the suggestions would make a difference in funding.

Amy summarized that the projection should show how a school with declining enrollment could respond to the added costs of rising inflation. She also queried

whether a five-year projection would soften the blow. She agreed to develop several models, run the suggested scenarios and report how each scenario would affect school funding. Jeff recommended that each scenario be run separately in order to determine which would cause a significant change.

Amy added that she would investigate how the 3-5 year averaging of ANB and the \$5000 per-FTE would impact the budget.

Basic Entitlement:

Linda Tutvedt suggested the council look at a change in the basic entitlement. She questioned the consequences if the base entitlement was reduced while increasing the ANB and also if the base was increased with a reduction in the ANB. The object would be to see how the system would work with a larger fixed amount and a smaller variable

Madalyn Quinlan suggested comparing the elementary base vs. the high school base and how much the base entitlements would jump when middle school was added to the mix. **Amy** replied that she would request a break down on elementary vs. middle school spending from several of the largest districts. She felt this would give a perspective on the relative cost of each known item.

Jeff Hindoien maintained the fixed vs. variable issue would show whether there could be a balance between the base and the ANB entitlement.

Madalyn Quinlan summarized that investigating the basic entitlement; per-ANB and FTE allocation through several years of data would give the council enough information to present to John Aggenbrick. He could then assess the data and make recommendations to the council. Mr. Augenblick will be in Helena on October 3rd.

The next meeting will be 9:00 on October 4th, 2001. **Jeff Hindoien** asked the council members to put together a list of questions that could be presented to Mr. Augenblick. Jeff also invited the educational community to provide any questions they would deem pertinent to the council's work.

The November meeting was scheduled for Thursday, November 1st in room 137 of the Capitol.

Chairman Hindoien adjourned the meeting at 4:50.

Jeff Hindoien
Chairman

Linda Ashworth
Secretary

